



# Proposed 2014-15 Operating Budget Presentation

May 12, 2014  
Budget and Finance Committee





# The Focus

## Management

- Policy development and implementation
- Budget process
- High quality service levels
- Department level key performance measurers
- Benchmarking program
- Capital Investment project oversight and delivery
- Telling “Franklin’s story” locally and beyond

## Community Development

- Desired location
- High Development Standards
- Educated workforce
- Sites ready for development
- Aggressive State incentives
- Work with partners at State and Williamson County
- Play “offense”

## Strong Financial Base

- Long-Term financial planning (revenue diversification)
- Capital Investment plan process
- Multi-year financial planning
- Healthy reserve levels
- Triple-A Bond rating from both Moody’s and S&P.
- Support changing service needs



# Franklin*Forward* – 2033 Strategic plan

- A Safe, Clean, and Livable City
- An Effective and Fiscally Sound City  
Government Providing High-Quality Service
- Quality Life Experiences
- Sustainable Growth and Economic Prosperity



# Transforming how we do business

## Public Safety

- Police Flex Team problem solving and proactively responding to needs
- Expanded walking patrols in downtown and neighborhoods
- Mounted patrol for \$1 per year
- Grant-funded education and proactive patrol focused on DUI offenders
- ISO rating of 2, the best in Tennessee
- Expanded Advanced Life Support response, increased paramedic staffing
- Automatic aid agreement with the Brentwood for fire response
- Expanded training through Franklin's training facility—regional and across City departments
- Uninterrupted Power Supply provided at key intersections

## Customer Service

- City Hall express payment window
- Use of seasonal/temporary workers to handle peak work loads
- Online service request system available 24/7
- Social Media (Facebook, Twitter, YouTube, Pinterest) reaching and responding to citizens
- Enhanced programming on FranklinTV and online
- Expanded communication capabilities and strategies
- Historic Parks cell phone tour



## Development Services

- Development plan process shortens review by 60 days
- Online inspection scheduling and results review
- Electronic plan submission and review
- Plan review deadlines implemented and being shortened
- Options for plan review by consultants for larger projects
- Land Use Character Area reviews

## Infrastructure

- Capital Investment Plan prioritization and funding plan
- Integrated Water Resource Plan adopted and implementation underway
- Improved interconnection for water supply
- Repair and expanded raw water reservoir
- Near perfect Sanitary Survey scores over the past five years (2009-13): 96-98 overall score
- Water's leak detection program identified and repaired leaks that otherwise would have resulted in the loss of 40 million gallons of treated water in a year
- Street resurfacing plan for all streets
- Infrared truck – street patching efficiency improved
- Parks partnerships with FBC, Cowboys, and Friends of Franklin Parks to enhance/preserve facilities
- Traffic signal timing enhancing operations and traffic flow without roadway construction



### **Fiscal Stability/Efficiency**

- Debt and Reserve Policies established
- Triple-A bond rating from Moody's and S&P
- Reformed and updated employee pension plan
- Proactive safety program
- Purchasing card program brings better efficiency and tracking to transactions
- Online auction of surplus equipment
- Virtualized servers save money and brings efficiency
- Electronic filing and data tracking in City Court

### **Sustainable Community**

- Blue Bag residential curbside recycling – over 50% participation and 16% diversion
- Brown bag yard waste collection and composting operation
- BOPAE implemented
- Bi-County agreement has provided landfill capacity and transportation for 14 years period
- Energy efficient lighting in Parks
- Solar array at Water Reclamation Plant through a public-private partnership
- Energy efficiency review throughout the organization
- Partnership with EPA in reviewing energy efficiency with Water Management



# Overview

- General Fund Budget of \$56.1 million, an increase of 0.9%.
- This budget is \$3 million below the City's general fund budget for FY 2008-09.
- Total Operating Budget of \$90.5 million, an increase of 6.8%. (Primarily due to capital in the Facilities Tax, Stormwater, and Hotel/Motel Tax Funds).
- The budget is structurally balanced.
- Essential service levels maintained.



# General Fund Highlights

- In compliance with BOMA's debt and reserve policies.
- Fire Station No. 8 (Westhaven) will open in 2015.
- Funding to create a one-stop area for permitting in City Hall.
- A general salary increase of 2.0% proposed for July 4, 2014. Third year of merit pay program.
- Phase 2 of classification and compensation plan.
- Base Property Tax same as 2014 (.3765 per \$100 of assessed valuation). Alternative budget proposal is recommended for infrastructure needs.
- No reserves targeted from fund balance.
- Sanitation operation self-supporting for the first time.



# Capital Funding Initiative

- Identify general fund reserves above 45% as available for capital projects (\$5.7 million).
- Add a \$.03 (per \$100 assessed value) increment of property tax to increase funding capacity:
  1. Half for local street resurfacing (Local Street Aid Fund) - \$500,000/year.
  2. Half for reserves for future infrastructure/capital project funding.

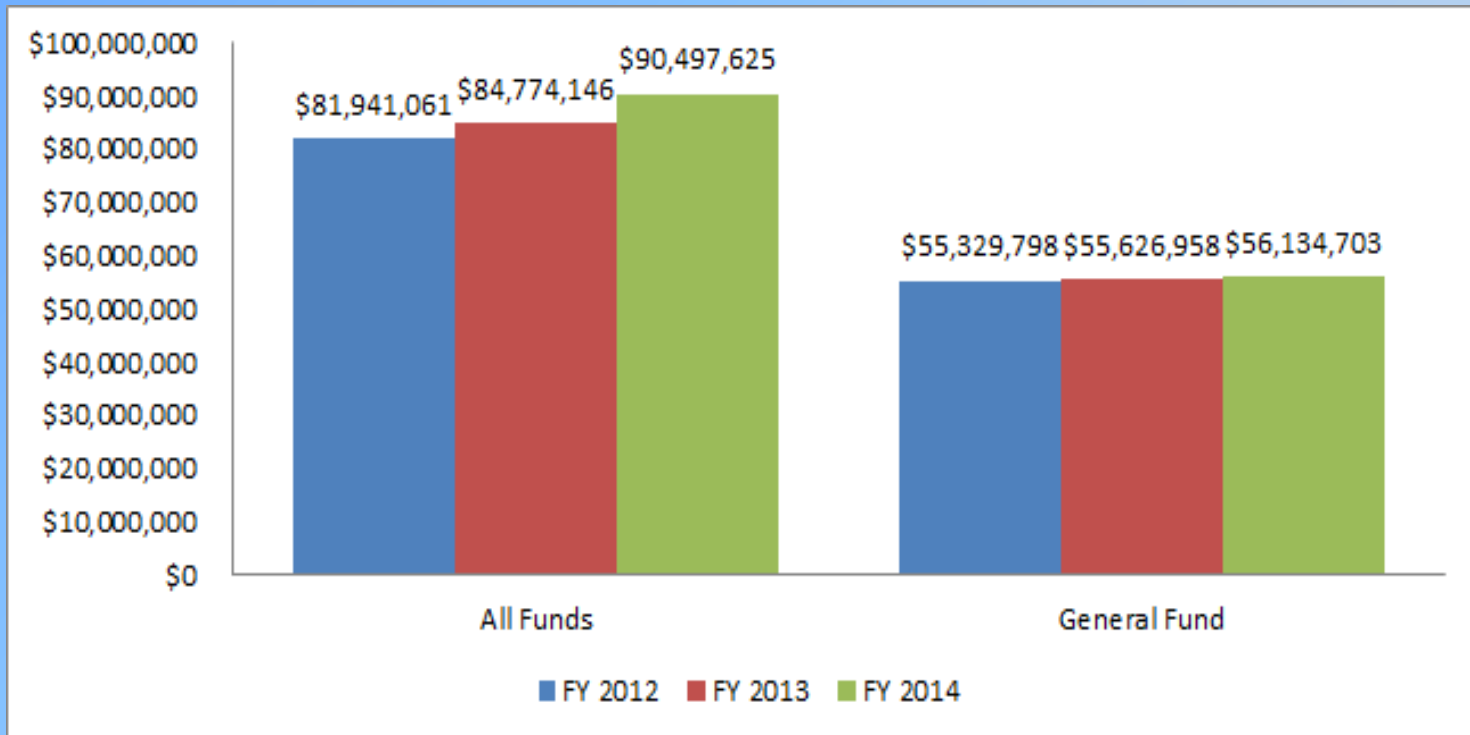


# Capital Funding Initiative

- Local share of the gas tax is inadequate to maintain local streets. By preserving this investment, the City saves money long term.
- Clear infrastructure needs throughout Franklin that require more capacity.
- “Bridge” to the additional property tax revenue to be realized upon the retirement of the McEwen TIF debt.
- Franklin maintains its position as the lowest City property tax of any city with a population of greater than 25,000.
- Estimated impact = \$27/year for a \$300,000 home.



# Change in Budget Amounts

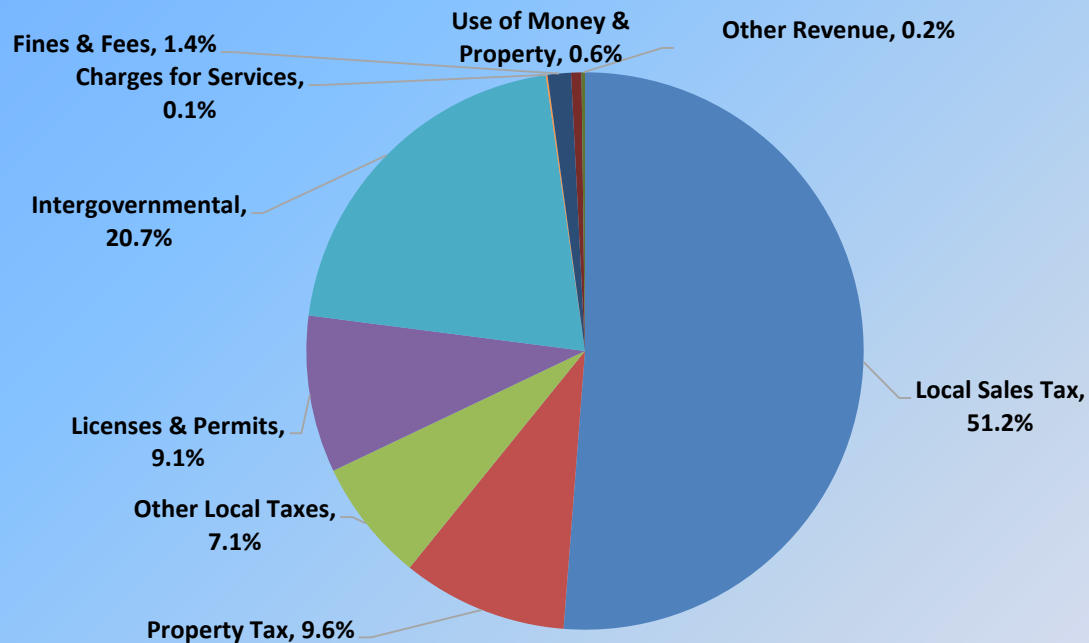




# Opportunities

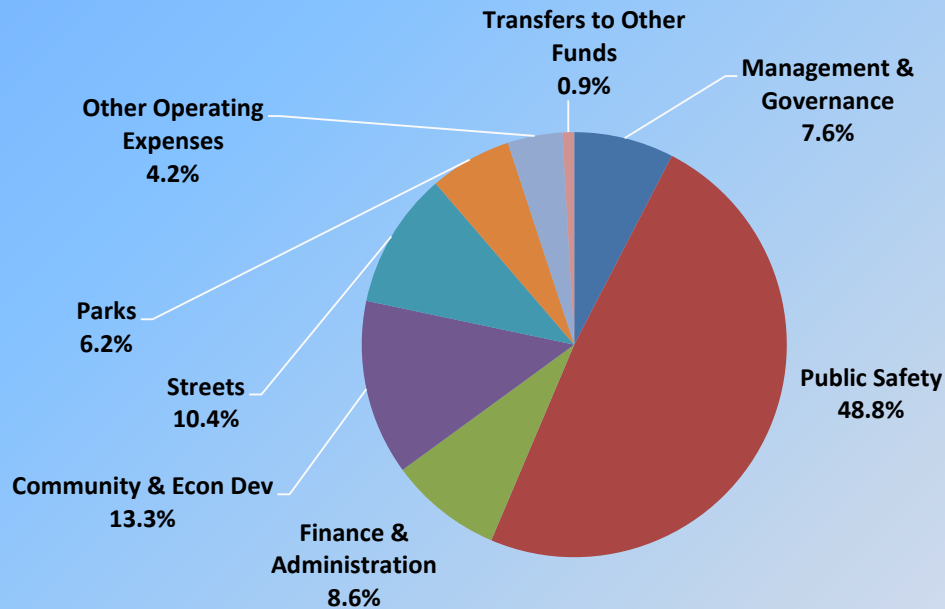
- Maintain high quality services.
- Invest in our future.
- Enhance our communities competitive position.
- Focus on possibilities, not just current challenges.
- Maintain Franklin's unique character.

# Where does the money come from? (General Fund)



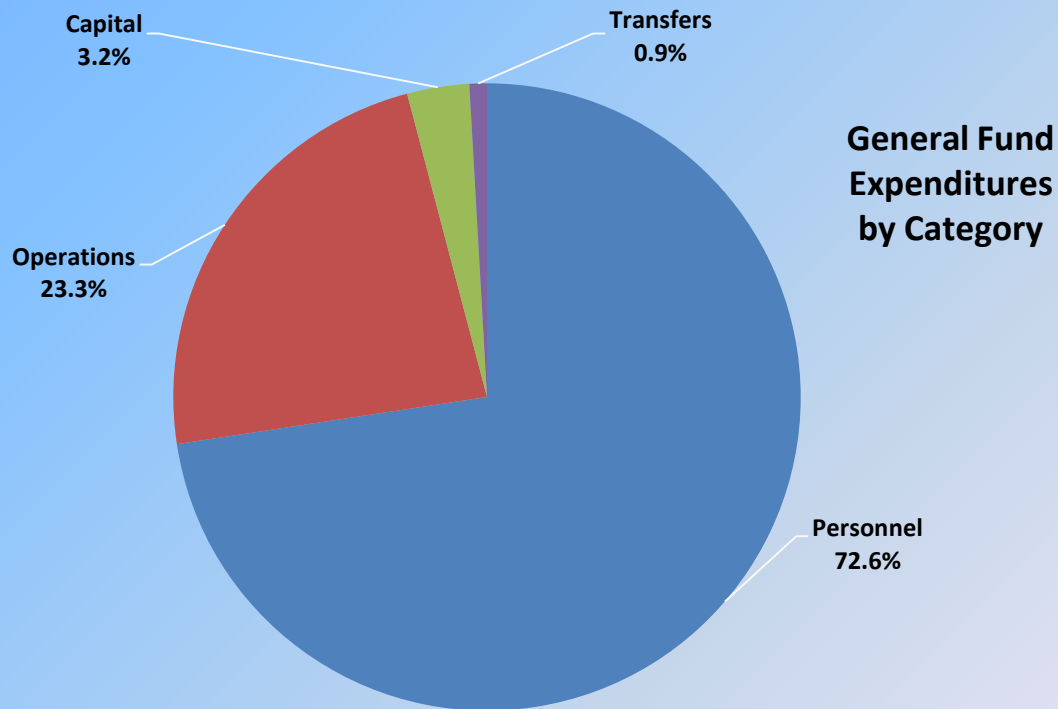
# Where does the money go? (General Fund)

**General Fund  
Expenditures by  
Function**



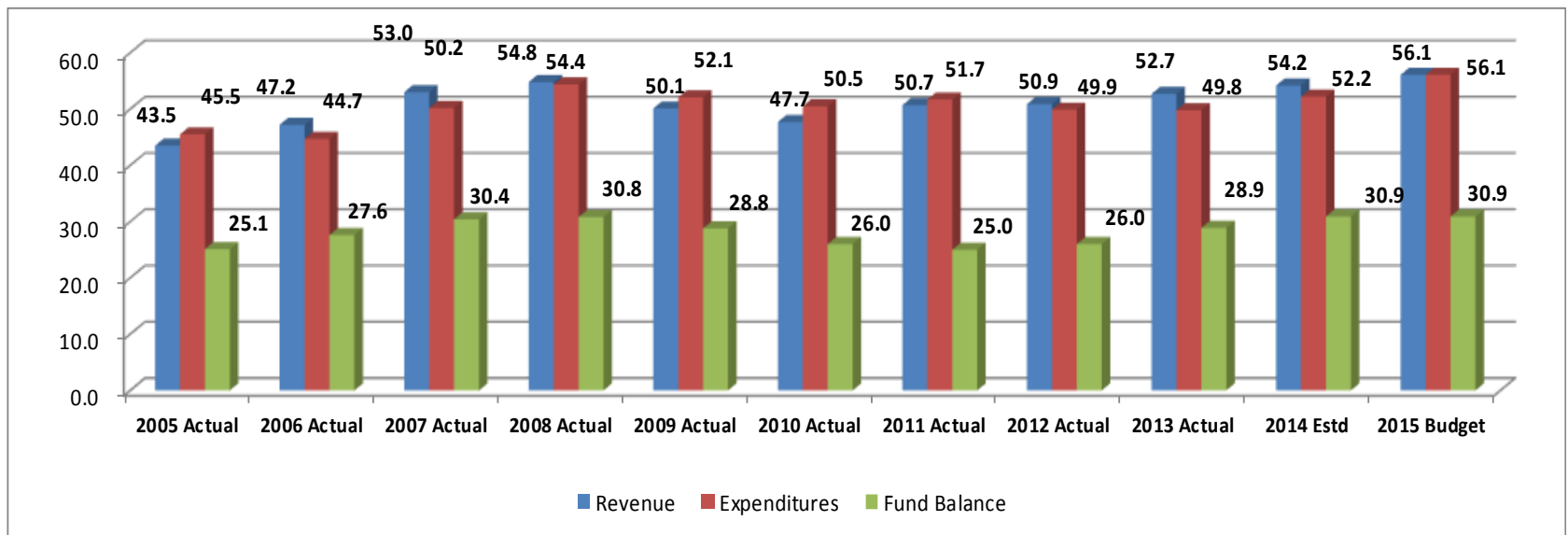


# Where does the money go? (General Fund)





# Financial Performance General Fund



|              | 2005 Actual | 2006 Actual | 2007 Actual | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Estd | 2015 Budget |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|
| Revenue      | 43.5        | 47.2        | 53.0        | 54.8        | 50.1        | 47.7        | 50.7        | 50.9        | 52.7        | 54.2      | 56.1        |
| Expenditures | 45.5        | 44.7        | 50.2        | 54.4        | 52.1        | 50.5        | 51.7        | 49.9        | 49.8        | 52.2      | 56.1        |
| Fund Balance | 25.1        | 27.6        | 30.4        | 30.8        | 28.8        | 26.0        | 25.0        | 26.0        | 28.9        | 30.9      | 30.9        |

Note: Amounts above are in millions of dollars.



# General Fund Revenue Comparison

| BUDGET REVENUES                       | FY 14 Budget<br>(as amended) | FY 15<br>Budget   | Pct<br>Inc/(Dec) |
|---------------------------------------|------------------------------|-------------------|------------------|
| ■ <i>Local Taxes</i>                  | 37,510,490                   | 38,131,485        | 1.7%             |
| ■ <i>Licenses &amp; Permits</i>       | 4,395,000                    | 5,074,430         | 15.5%            |
| ■ <i>Intergovernmental Revenue</i>    | 11,963,767                   | 11,630,627        | -2.8%            |
| ■ <i>Charges for Services</i>         | 73,700                       | 68,950            | -6.4%            |
| ■ <i>Fines &amp; Forfeitures</i>      | 1,020,000                    | 753,720           | -26.1%           |
| ■ <i>Uses of Money &amp; Property</i> | 344,001                      | 350,491           | 1.9%             |
| ■ <i>Other Revenue</i>                | 320,000                      | 125,000           | -60.9%           |
| ■ <b>Total</b>                        | <b>55,626,958</b>            | <b>56,134,703</b> | <b>0.9%</b>      |
|                                       |                              |                   |                  |



## Local Sales Tax

- Budgeted to increase in 2014-15 (\$28.6 million).
- Growth of 4.0% (\$1.1 million) from 2013-14 estimated.
- Statewide estimate for growth is approximately 2.2% to 2.9%.
- 51.2% of total general fund revenue.

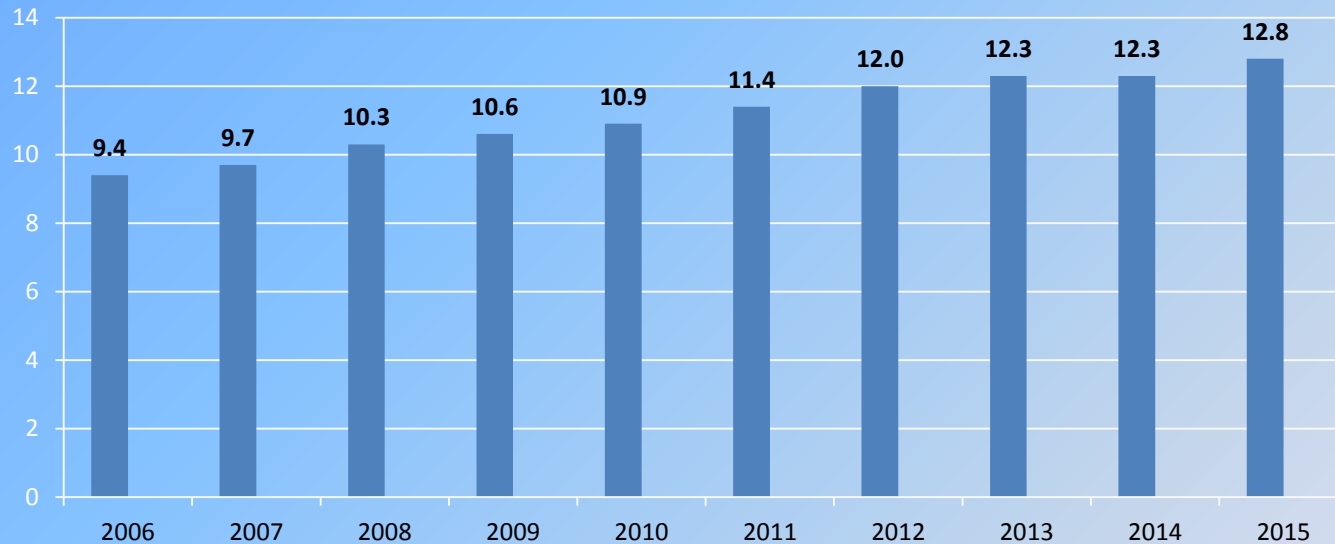


# Property Tax

- Certified Tax Rate remains at .3765 per \$100 of assessed valuation. Proposed .03 for the Capital Funding Initiative.
- City Property Tax rate last increased in 1987.
- Of tax rate, 46% allocated for general fund; 54% for debt service fund.
- City of Franklin has the lowest property tax rate among Tennessee cities with a population of over 25,000 people.



## Property Tax Revenue (in millions)



Of the \$12.8 million in 2015, \$1.0 million for the IDB, \$5.4 million is proposed for the General Fund, and \$6.4 million for the Debt Service Fund.

Note: \$12.8 million is total of \$12.4 million anticipated local assessment plus estimated \$400,000 from state assessments (utilities) and prior year collections.



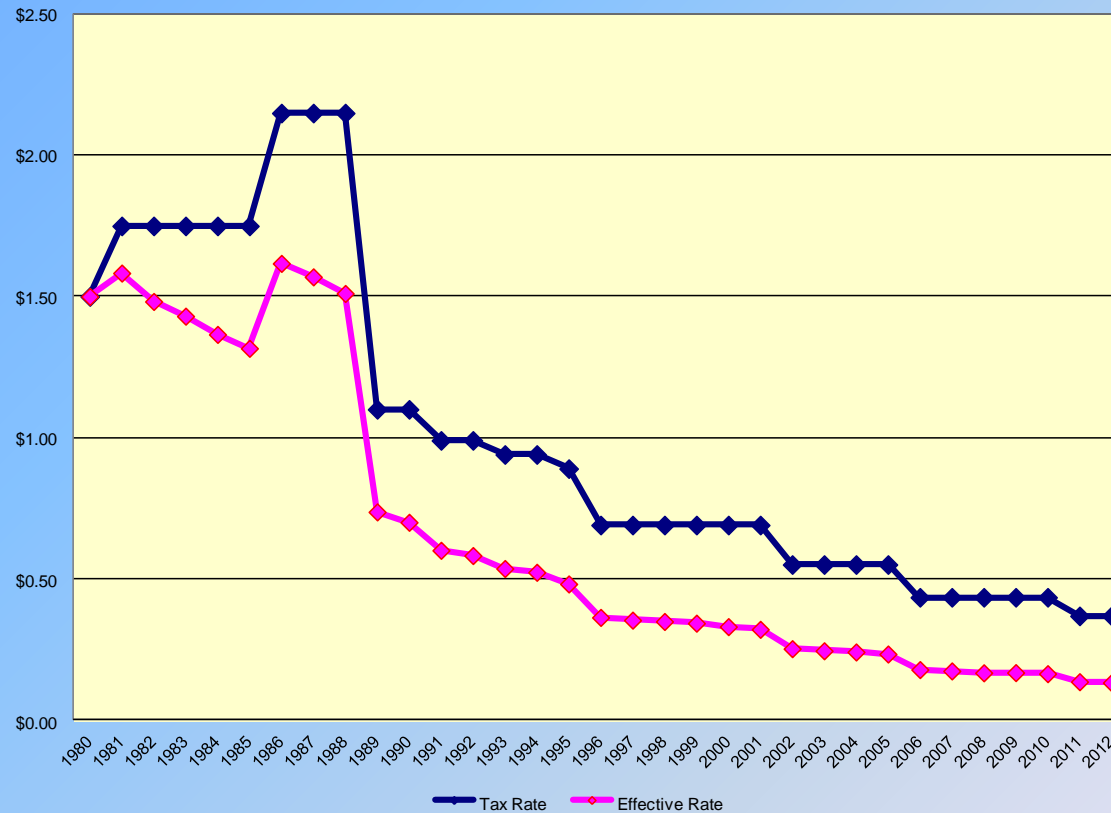
# Property Tax Rate Summary

| Fiscal Year | Rate     | Increase /<br>(Decrease) | Consecutive<br>Fiscal Years | Fiscal Year | Rate     | Increase /<br>(Decrease) | Consecutive<br>Fiscal Years |
|-------------|----------|--------------------------|-----------------------------|-------------|----------|--------------------------|-----------------------------|
| 1984        | \$1.7500 | ---                      |                             | 2000        | \$0.6900 | \$0.0000                 | 13                          |
| 1985        | \$1.7500 | \$0.0000                 |                             | 2001        | \$0.6900 | \$0.0000                 | 14                          |
| 1986        | \$1.7500 | \$0.0000                 |                             | 2002        | \$0.5500 | (\$0.1400)               | 15                          |
| 1987        | \$2.1500 | \$0.4000                 | 0                           | 2003        | \$0.5500 | \$0.0000                 | 16                          |
| 1988        | \$2.1500 | \$0.0000                 | 1                           | 2004        | \$0.5500 | \$0.0000                 | 17                          |
| 1989        | \$2.1500 | \$0.0000                 | 2                           | 2005        | \$0.5500 | \$0.0000                 | 18                          |
| 1990        | \$1.1000 | (\$1.0500)               | 3                           | 2006        | \$0.5500 | \$0.0000                 | 19                          |
| 1991        | \$1.1000 | \$0.0000                 | 4                           | 2007        | \$0.4340 | (\$0.1160)               | 20                          |
| 1992        | \$0.9900 | (\$0.1100)               | 5                           | 2008        | \$0.4340 | \$0.0000                 | 21                          |
| 1993        | \$0.9900 | \$0.0000                 | 6                           | 2009        | \$0.4340 | \$0.0000                 | 22                          |
| 1994        | \$0.9400 | (\$0.0500)               | 7                           | 2010        | \$0.4340 | \$0.0000                 | 23                          |
| 1995        | \$0.9400 | \$0.0000                 | 8                           | 2011        | \$0.4340 | \$0.0000                 | 24                          |
| 1996        | \$0.8900 | (\$0.0500)               | 9                           | 2012        | \$0.3765 | (\$0.0575)               | 25                          |
| 1997        | \$0.6900 | (\$0.2000)               | 10                          | 2013        | \$0.3765 | \$0.0000                 | 26                          |
| 1998        | \$0.6900 | \$0.0000                 | 11                          | 2014        | \$0.3765 | \$0.0000                 | 27                          |
| 1999        | \$0.6900 | \$0.0000                 | 12                          | 2015        | \$0.3765 | \$0.0000                 | 28                          |



# Effective Property Tax Rate

Loss of Purchasing Power since 1980 = 52.6%





# Property Tax Rate Comparison

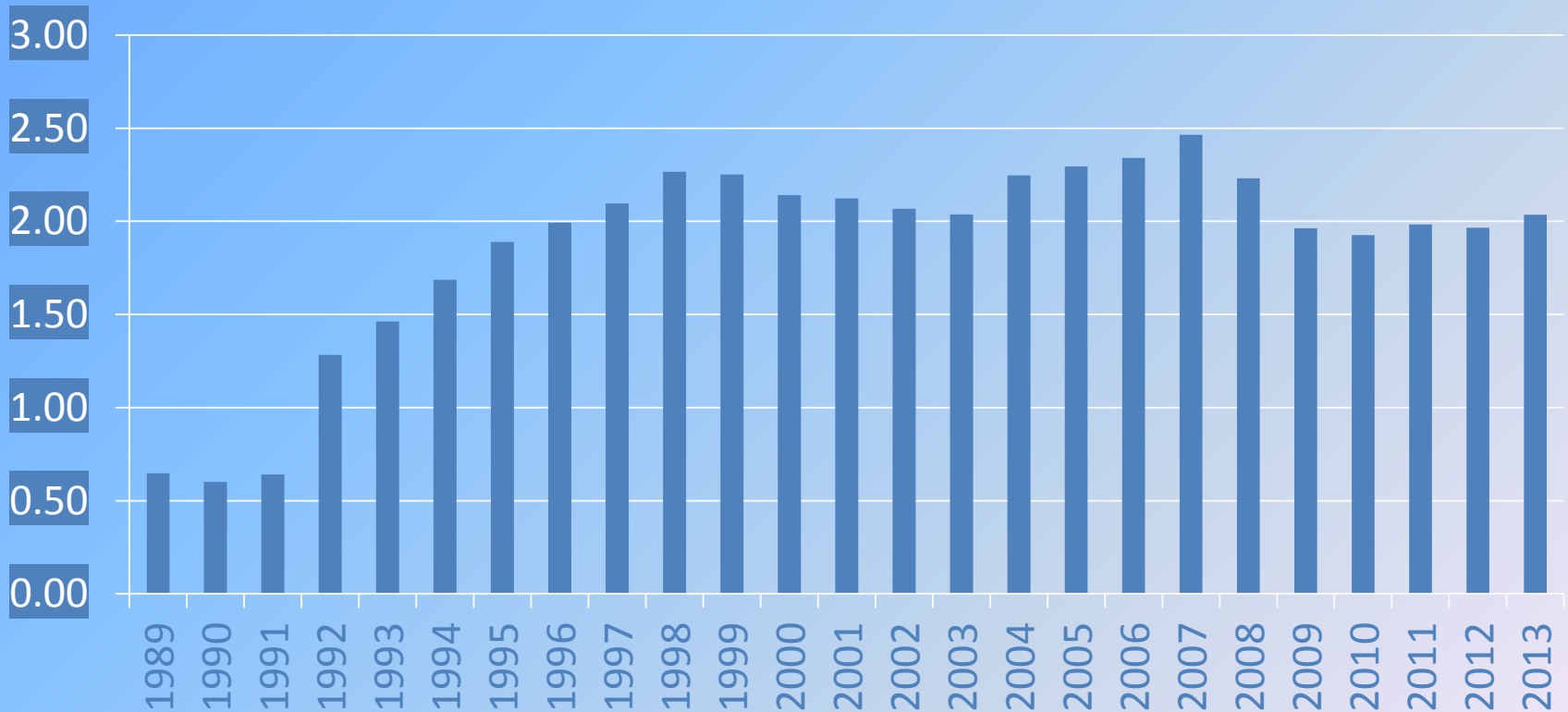
## (Cities with population 25,000 or greater)

| Rank by Rate | City           | 2010 Census | City   |
|--------------|----------------|-------------|--------|
| 1            | Franklin       | 62,487      | \$0.38 |
| 2            | Brentwood      | 37,060      | \$0.44 |
| 3            | Spring Hill    | 29,036      | \$0.59 |
| 4            | Nashville *    | 626,681     | \$0.59 |
| 5            | Lebanon        | 26,190      | \$0.61 |
| 6            | Hendersonville | 51,372      | \$0.65 |
| 7            | Cookeville     | 30,435      | \$0.90 |
| 8            | Smyrna         | 39,974      | \$0.91 |
| 9            | Gallatin       | 30,278      | \$0.99 |
| 10           | La Vergne      | 32,588      | \$1.00 |
| 11           | Morristown     | 29,137      | \$1.05 |
| 12           | Clarksville    | 132,929     | \$1.24 |
| 13           | Murfreesboro   | 108,755     | \$1.27 |
| 14           | Columbia       | 34,681      | \$1.44 |
| 15           | Collierville   | 43,965      | \$1.53 |
| 16           | Johnson City   | 63,152      | \$1.58 |
| 17           | Bartlett       | 54,613      | \$1.62 |
| 18           | Cleveland      | 41,285      | \$1.77 |
| 19           | Kingsport      | 48,205      | \$1.88 |
| 20           | Germantown     | 38,844      | \$1.93 |
| 21           | Jackson        | 65,211      | \$1.97 |
| 22           | Maryville      | 27,465      | \$2.17 |
| 23           | Bristol        | 26,702      | \$2.25 |
| 24           | Chattanooga    | 167,674     | \$2.31 |
| 25           | Knoxville      | 178,874     | \$2.39 |
| 26           | Oak Ridge      | 29,330      | \$2.39 |
| 27           | Memphis        | 646,889     | \$3.40 |

\* This is rate State has listed under City column for Nashville (which is a consolidated government with Davidson Co. The total rate is \$4.52.)

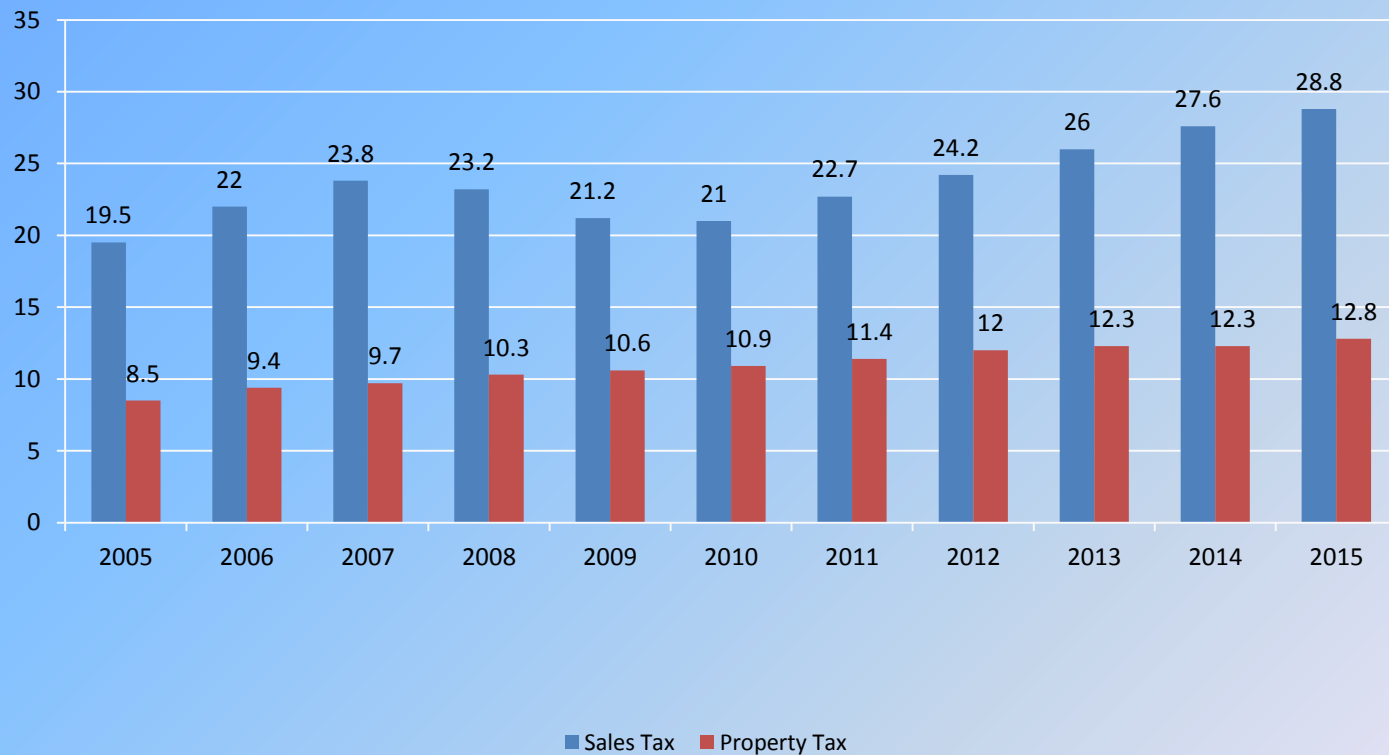


# Ratio of Sales to Property Tax





## Sales Tax / Property Tax Trends by Fiscal Year



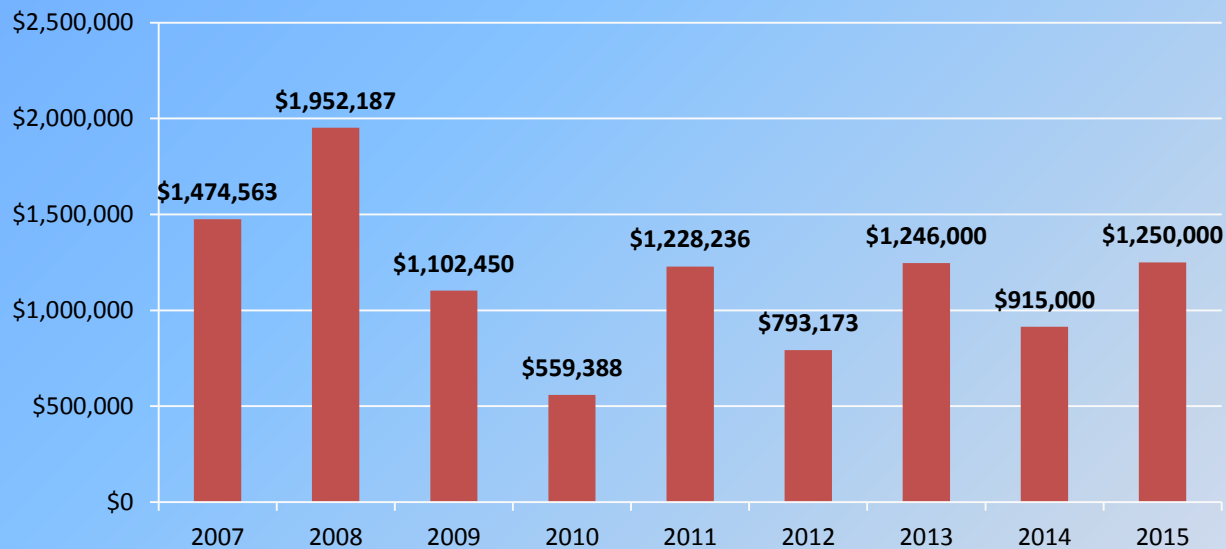


# Intergovernmental Revenue

- Projected at \$11.6 million.
- Second largest revenue source.
- Includes Business Tax within state shared taxes
- Grant funding including TOC project revenue.



# Hall Income Tax





## Other Taxes

- Local Beer Tax.
- Business License & Gross Receipts Tax.
- Wholesale Liquor Tax.
- Alcohol Privilege Tax.
- Hotel-Motel Tax – Special Funds.



# Fees and Other Income

- Franchise Fees.
- Building Permit Fees.
- Court Fines & Costs.
- Stormwater Fees – Other Fund.
- Interest Earnings.



## General Fund Balance Summary Fiscal Year 2014 – 2015

|                                  |              |
|----------------------------------|--------------|
| Estimated Beginning Fund Balance | \$30,887,649 |
|                                  |              |
| Estimated FY2015 Annual Revenues | 56,134,703   |
|                                  |              |
| Estimated FY2015 Expenditures    | 56,134,703   |
|                                  |              |
| Estimated Ending Fund Balance    | \$30,887,649 |



## General Fund Expenditures by Department

| Department                            | Personnel         | Operations        | Capital          | Transfers      | Total             |
|---------------------------------------|-------------------|-------------------|------------------|----------------|-------------------|
| Elected Officials                     | 230,272           | 59,893            |                  |                | 290,165           |
| Administration                        | 480,745           | 38,759            |                  |                | 519,504           |
| Capital Investment Planning           | 209,058           | (16,655)          |                  |                | 192,403           |
| Project & Facilities Management       | 412,146           | 645,855           | 37,000           |                | 1,095,001         |
| Human Resources                       | 856,596           | 386,792           | 28,000           |                | 1,271,388         |
| Law                                   | 330,530           | 62,383            |                  |                | 392,913           |
| Communications                        | 309,447           | 18,822            |                  |                | 328,269           |
| Parks                                 | 2,145,933         | 1,362,241         |                  |                | 3,508,174         |
| Police                                | 10,975,657        | 2,817,559         |                  |                | 13,793,216        |
| Fire                                  | 11,613,598        | 1,980,156         |                  |                | 13,593,754        |
| Finance                               | 790,241           | (51,986)          |                  |                | 738,255           |
| Information Technology                | 1,448,371         | 2,165,650         | 50,000           |                | 3,664,021         |
| Purchasing                            | 188,730           | (3,385)           |                  |                | 185,345           |
| Revenue Management                    | 795,624           | (620,384)         |                  |                | 175,240           |
| Court                                 | 198,538           | 32,797            |                  |                | 231,335           |
| Building & Neighborhood Services      | 2,094,299         | 256,629           |                  |                | 2,350,928         |
| Planning & Sustainability             | 1,252,786         | 306,092           |                  |                | 1,558,878         |
| Engineering                           | 887,614           | (8,101)           |                  |                | 879,513           |
| Traffic Operations Center             | 277,198           | 701,710           | 1,650,000        |                | 2,628,908         |
| Streets-Maintenance                   | 2,200,963         | 1,592,535         |                  |                | 3,793,498         |
| Streets - Traffic                     | 679,100           | 495,423           | 42,500           |                | 1,217,023         |
| Streets - Fleet Maintenance           | 612,373           | 204,290           |                  |                | 816,663           |
| General Expense                       | 1,734,693         | 180,500           |                  |                | 1,915,193         |
| Appropriations                        |                   | 425,986           |                  |                | 425,986           |
| Economic Development                  |                   | 69,730            |                  |                | 69,730            |
| Transfer to Street Aid                |                   |                   |                  |                | 0                 |
| Transfer to Sanitation & Env Services |                   |                   |                  |                | 0                 |
| Transfer to Transit                   |                   |                   |                  | 499,400        | 499,400           |
| <b>TOTAL</b>                          | <b>40,724,512</b> | <b>13,103,291</b> | <b>1,807,500</b> | <b>499,400</b> | <b>56,134,703</b> |



TENNESSEE



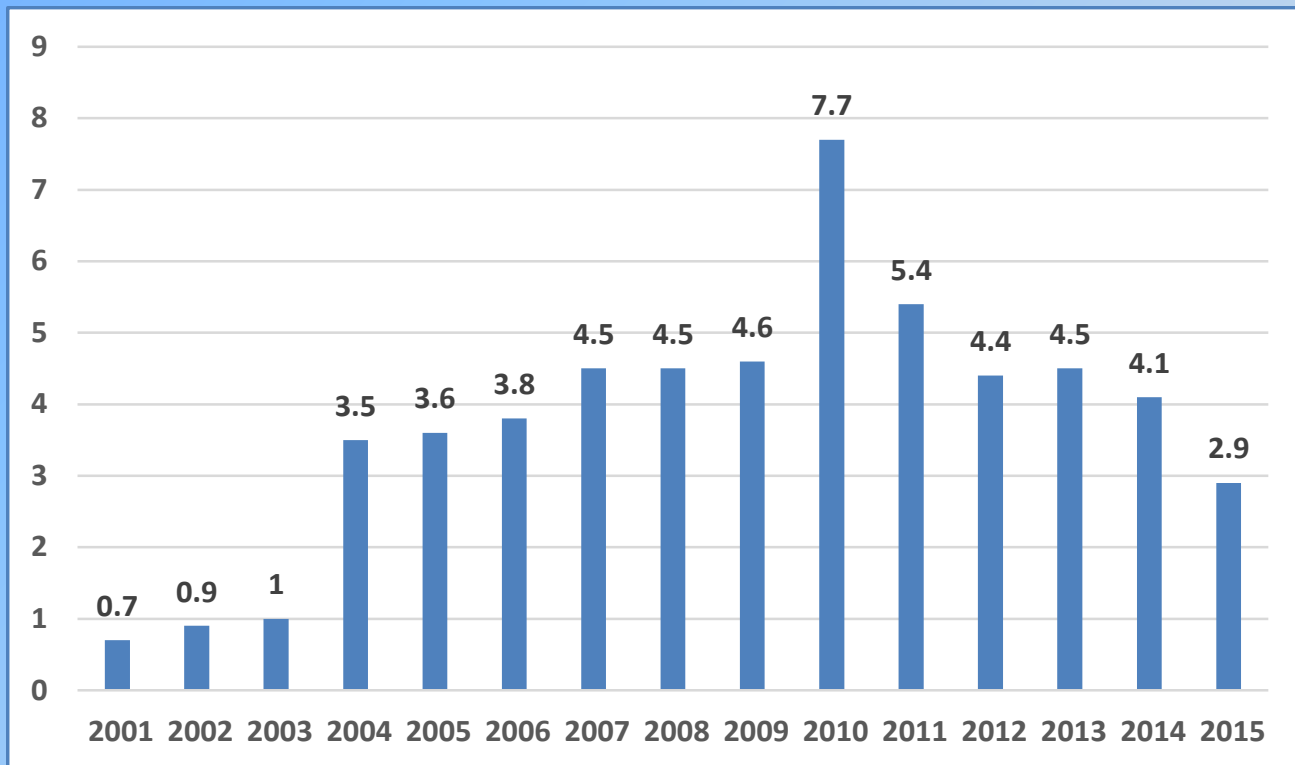
## Change in Personnel Expense

- 2.0% cost of living adjustment – effective July 4, 2014. Third year of merit pay program.
- Phase 2 of Pay Plan impacting at a cost of \$698,000.
- Net of 16 positions added. 12 are in Fire for 4 months for Fire Station 8; 3 full-time and 2 part-time are for Mack Hatcher landscape maintenance.
- Cost sharing structure of health insurance with employees continues with 85% single/80% family premium City cost sharing.
- 3.5% turnover factor (pay + benefits) used.
- Pension across all funds budgeted at less than \$3 million.
- Holding 27 authorized positions vacant.



# Pension Plan Contributions

Amount decreased due to last year's returns and issuance of pension bonds





# Appropriations to Outside Entities





# Other General Fund Initiatives

- Retains Tuition Reimbursement Program.
- Design for the conversion of the Aspen Grove-Seaboard intersection to a roundabout.
- Continues implementation of Human Resources Information System (HRIS).
- Targeted funding of previously vacant positions, primarily in public safety and other areas impacted by growth.
- Merit Pay program continuation - \$125,000 pool for one-time supplements to recognize performance on major work objectives.



# Special Revenue Funds

- Street Aid & Trans – Gas Tax (p. 222-223)
- Sanitation & Environmental Services (p. 155-170)
- Road Impact Fund (p. 224)
- Facilities Fund (p. 232)
- Stormwater Fund (p. 220-221)
- Drug Fund (p. 122)
- Hotel Tax Fund (p. 233)
- Transit (p. 171-174)



## Street Aid (p. 222-223)

- Roadway resurfacing program of slightly above \$1.7 million. \$169,950 is included for sidewalk repair.
- The proposed Capital Funding Initiative would add \$500,000 annually to the local street resurfacing, a 26% increase.



# Sanitation & Environmental Services

(p. 155-170)

- Four Divisions: Administration, Collection, and Disposal. (Recycling has been merged with Collection).
- Direct revenues estimated at \$8.1 million.
- Expenditures less than last year (\$7.9 million).
- For first time, no Transfer from General Fund. 2008 subsidy was \$4.47 million.
- Increase in residential rate of \$1.50, from \$15 to \$16.50. First increase in five years.



## Wrap Up

- Meeting budget goals and objectives despite challenging economic times.
- Increase in expenditures in General Fund equivalent to rate of inflation (.9%).
- Revenues estimated with signs of growth (recovery).
- Sales tax dependence continues. Now over 50%.
- No draw on fund balance.
- Reserves at year-end far above policy level.
- The proposed Capital Funding Initiative identifies additional capacity to address infrastructure needs.